

CONNECTICUT RESTAURANT ASSOCIATION

Senator Daily, Representative Staples, and members of the Finance, Revenue and Bonding Committee, I am Robert DeZinno, President of the Connecticut Restaurant Association. I am here today to present my opposition to SB 930, An Act Concerning the Cigarette tax, the Tobacco Products Tax and the Alcoholic Beverages Tax.

Connecticut's restaurants provide more than 142,000 good jobs, and generate \$5 Billion in annual revenue. We are the most likely industry in Connecticut to offer a young person his/her first job, employ a woman in her first management position, and to provide a job for a new American.

The costs of doing business in this state are among the highest in the nation. Compared to most others, we have higher energy costs (the third highest), higher insurance costs, a higher minimum wage and therefore wage base, a lower tip credit, and higher workers' compensation costs. Being a small state, we suffer unfair competition from restaurants in neighboring states where operating costs are lower.

A well-run restaurant, in good times, on average will achieve just a 4 – 5% bottom line. Our customers purchase our food, beverage and service with their discretionary income; they usually have no urgent need to patronize a restaurant. As such, and particularly during economic times like these, they are increasingly price-conscious. We cannot simply raise our menu and beverage prices each time there is a cost increase to us. For example, in 2008, wholesale food prices nationally increased by 9%; our industry dared to raise menu prices by just 4%.

While the proposed 25% increase in the alcoholic beverages excise tax might appear to be just pennies to the end user, and an easy revenue source for the state, restaurants that sell alcoholic beverages cannot bear these increases. For example, a busy restaurant that generates \$2 million per year in sales would feel a \$5,000 hit to its bottom line. (These calculations are in my written testimony.)

Total sales	\$2,000,000	
Wine sales	\$222,000	5,500 gallons at \$.15 increase
Beer sales	\$222,000	22,200 gallons at \$.05 increase
Spirit sales	\$222,000	3,700 gallons at \$1.15 increase
Increased costs	\$6,190	

That number represents 15 hours per week at minimum wage... a part-time job for a service assistant, apprentice cook, or a student. We recall that nationally 2 out of three high school students that had a summer job in 2007 did not have one in 2008.

Like other small businesses in Connecticut, the restaurants feel we are experiencing the death of a thousand cuts. Each "small" increase in costs and taxes adds up to several thousand dollars, and the total of this burden will assuredly cost jobs, will cost the state revenue, and possibly result in additional business closures.

Thank you.